



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING, FEDERAL HOUSING COMMISSIONER

JAN 15 2009

**VIA UPS OVERNIGHT &
FAX (516) 640-3214**

Mr. Richard Banach
President
North Shore Financial, Inc.
2531 4th Avenue
East Meadow, NY 11554

Subject: Notice of Administrative Action
Immediate Suspension
North Shore Financial
Mortgagee No. 19175-0000-8
Docket No.: 09-9424-MR

Dear Mr. Banach:

The Mortgagee Review Board (Board) of the U.S. Department of Housing and Urban Development hereby immediately suspends the HUD/FHA approval of North Shore Financial, Inc. (NSF). This action is in accordance with the procedures set forth at Title 24, Code of Federal Regulations (C.F.R.), Part 25 (2008), a copy of which is enclosed. This suspension is necessary to protect the financial interests of the Department and the public, and is for a temporary period pending further action by the Board. *See* 12 U.S.C. § 1708(c)(3)(C).

NSF submitted an application for FHA approval as a mortgagee to HUD and was approved by FHA on or about July 2, 2002. On this application for this approval, NSF certified that it "agrees to comply with the provisions of the HUD regulations and the requirements of the Secretary of HUD." As a condition of approval, and to maintain approval, neither the lender or mortgagee, nor any officer, partner, director, principal or employee of the lender shall be "indicted for, or have been convicted of, an offense which reflects upon the responsibility, integrity or ability of the lender or mortgagee to participate" in the FHA program. *See* 24 CFR § 202.5(j)(2); *See also* 24 CFR §§ 25.6(g), (j), and (m); HUD Handbook 4060.1 REV-2, paragraph 2-10. HUD has recently learned that you, NSF's President, were indicted in the United States District Court of New Jersey in October 2007 (and are subject to a superseding indictment filed in December 2007). These indictments charge you with bank fraud, identity theft, as well as conspiracy, in connection with the origination of three single family mortgage loans.

Further, on December 18, 2008, NSF submitted a Yearly Verification Report (YVR) to HUD containing a false certification. HUD relies upon the representations contained within the YVR in evaluating whether a mortgagee's approval should be renewed. Specifically, the YVR submitted contains a certification indicating that "NONE OF THE PRINCIPALS, OWNERS, OFFICERS, DIRECTORS, AND/OR EMPLOYEES OF THE ABOVE NAMED MORTGAGEE ARE CURRENTLY INVOLVED IN A PROCEEDING AND/OR

INVESTIGATION THAT COULD RESULT, OR HAS RESULTED IN A CRIMINAL CONVICTION, DEBARMENT ... BY A FEDERAL, STATE, OR LOCAL GOVERNMENT.” The certification submitted by NSF was false because you are currently under indictment for bank fraud.

HUD has also learned that NSF has been making, or permitting to be made on its behalf, misrepresentative advertisements via email and internet postings, inviting persons to use NSF’s FHA identification number in return for a \$1,200 fee. HUD requirements prohibit the use of misrepresentative advertising and requires a mortgagee, if it determines that it or one of its employees have engaged in such activity, to take action to ensure that such practices do not occur again. *See* HUD Handbook 4060.1 REV-2, paragraphs 2-17. HUD’s Office of Inspector General interviewed you on October 30, 2008, regarding your email solicitations, and you acknowledged to the OIG that the solicitation violated HUD requirements. Nevertheless, you continued to make solicitations via internet postings offering the use of your company’s FHA license for a \$1,200 fee.

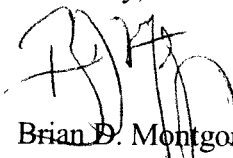
NSF had actual knowledge of the above-referenced indictments and solicitations, as you are the owner and operator of NSF. An FHA-approved mortgagee’s employment and/or retention of an individual indicted for offenses reflecting upon the responsibility, integrity or ability of the lender or mortgagee to participate in the FHA program, is a serious violation of HUD requirements, and grounds for administrative action by the Board. *See* 24 CFR §§ 25.6(g), (j), and (m) and HUD Handbook 4060.1 REV-2, paragraph 2-10. Furthermore, the submission of false information to HUD in connection with the YVR, as well as NSF’s continued use of misrepresentative advertising are serious violations of HUD requirements, and grounds for administrative action by the Board. *See* 12 U.S.C. § 1735f-14(b)(1)(F); 24 CFR Sections 25.6(g) and (j); HUD Handbook 4060.1 REV-2, paragraph 2-17.

NSF may appeal its immediate suspension by submitting a request for a hearing within 30 days of its receipt of this letter pursuant to 24 C.F.R. § 25.10 (2008). Please note that contesting a suspension does not stay the action. While contesting the suspension, a mortgagee is prohibited from originating FHA-insured mortgages. A request for a hearing must be in writing, and specifically respond to the violations set forth in this Notice of Administrative Action. Three copies of the request should be sent to: Docket Clerk, Mortgagee Review Board, U.S. Department of Housing and Urban Development, 1250 Maryland Ave., SW, Suite 200, Washington, DC 20024.

The Board’s action does not in any way affect NSF’s continuing responsibility in connection with outstanding HUD/FHA-insured mortgage loans and NSF’s obligation to pay all fees or premiums now or hereafter due the Department. The Department will not endorse any mortgage originated by a suspended mortgagee unless, prior to the date of the suspension, a firm commitment has been issued relating to any such mortgage. All other mortgages in process must be properly assigned to another approved HUD/FHA mortgagee.

Effective upon receipt of this letter, the Department will not issue new case numbers or accept new applications for commitments (except as noted above) and will return pending applications. All relevant Department field offices have been advised of this action.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Montgomery", is written over the printed name.

Brian D. Montgomery
Assistant Secretary for Housing-
Federal Housing Commissioner
Chairman, Mortgagee Review Board

Enclosures

Your Comments are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small business about federal agency enforcement actions.

The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you wish to comment on the enforcement actions of HUD, you will find the necessary comment forms at <http://www.sba.gov/ombudsman>, or call 1-888-REG-FAIR (1-888-734-3247).